

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 /134 R

DRAFTED BY ARA/ECP:MDAVILA:MB
APPROVED BY ARA/ECP:WEKNEPPER
STR:SLANDE (DRAFT)
EB/GCP:JEO'MAHONY
ARA/EP:MFRECHETTE

----- 109304

R 122043Z JUL 74
FM SECSTATE WASHDC
TO AMEMBASSY LIMA

UNCLAS STATE 151092

E.O. 11652: N/A
TAGS: PFOR, ETRD, PE
SUBJECT: MEMORANDUM OF AMBASSADOR EBERLE'S TRADE CONSULTATIONS IN PERU

1. DURING TRADE CONSULTATIONS WITH GOP OFFICIALS IN LIMA ON APRIL 25, 1974, AMBASSADOR EBERLE OFFERED TO SEND A MEMORANDUM OF THE US UNDERSTANDING OF THE SUBSTANCE OF THE CONSULTATIONS. THE MEMORANDUM SHOULD BE DELIVERED TO APPROPRIATE PERUVIAN OFFICIALS AFTER REVIEW FOR ACCURACY BY THE EMBASSY. NO REPLY IS EXPECTED, THOUGH WE WOULD BE PLEASED TO RECEIVE ANY COMMENTS THAT THESE OFFICIALS MAY WISH TO MAKE. THE MEMORANDUM FOLLOWS.

2. QUOTE. ON APRIL 25, 1974, A DELEGATION FROM THE US HEADED BY AMBASSADOR WILLIAM D. EBERLE, MET WITH PERUVIAN GOVERNMENT OFFICIALS INCLUDING MINISTER OF FOREIGN AFFAIRS MIGUEL ANGEL DE LA FLOR; MINISTER OF COMMERCE LUIS BARAN- UNCLASSIFIED

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DARIAN; MINISTER OF ECONOMY AND FINANCE MARCO DEL PONT; AND MINISTER OF AGRICULTURE VALDEZ.

AT THIS MEETING THE US DELEGATION REVIEWED THE STATUS OF

THE PROPOSED TRADE REFORM ACT (TRA) AND EXPRESSED THE HOPE THAT PRESENT SERIOUS OBSTACLES TO ITS PASSAGE WILL BE OVERCOME AND THE LEGISLATION APPROVED DURING THE SUMMER OF 1974. SALIENT FEATURES OF THE TRA WERE DISCUSSED WITH PARTICULAR ATTENTION GIVEN TO THE GENERALIZED SYSTEM OF PREFERENCES (GSP). AMBASSADOR EBERLE EXPRESSED THE HOPE THAT AN INITIAL GSP PRODUCT LIST, ON WHICH TARIFFS ON IMPORTS FROM DEVELOPING COUNTRIES WOULD BE REDUCED TO ZERO, COULD BE SENT TO THE TARIFF COMMISSION FOR HEARINGS AND SUBMISSION OF A REPORT OF FINDINGS TO THE PRESIDENT AS SOON AS POSSIBLE AFTER THE TRA IS ENACTED.

AMBASSADOR EBERLE THEN DESCRIBED THE FORTHCOMING MULTI-LATERAL TRADE NEGOTIATIONS (MTN) RELATING THE CURRENT STATUS OF THE FOUR SUBCOMMITTEES OF THE TRADE NEGOTIATING COMMITTEE (TNC) IN GENEVA, I.E., TARIFF, NON-TARIFF BARRIERS, AGRICULTURE, TROPICAL PRODUCTS, AS WELL AS POSSIBILITIES FOR ESTABLISHING GROUPS ON SAFEGUARDS AND SECATORS. HE URGED PERU TO PARTICIPATE FULLY AND ACTIVELY IN THESE DISCUSSIONS IN ORDER TO HAVE AS WIDE A PARTICIPATION AS POSSIBLE AND THEREBY TO ASSURE THAT THEIR INTERESTS WOULD BE REPRESENTED.

MINISTER BARANDARIAN RESPONDED THAT PERU VIEWED THE FORTHCOMING MTN WITH A CERTAIN AMOUNT OF INTEREST, NOTING ITS IMPORTANCE AND THE IMPORTANCE THAT TRADE BE DEVELOPED. HOWEVER, HE NOTED THAT THE RELATIVE POSITION OF THE DEVELOPING COUNTRIES WAS MUCH WORSE THAN 50 YEARS AGO WHEN THE DC'S THEMSELVES WERE LESS DEVELOPED. HE NOTED THAT THE DEVELOPING COUNTRIES FIND IT VERY DIFFICULT TO DIVERSIFY THEIR EXPORTS BECAUSE THE INDUSTRIALIZED COUNTRIES OFFER SUCH STRONG COMPETITION. IN ORDER TO MEET THEIR FOREIGN EXCHANGE REQUIREMENTS, THE DEVELOPING COUNTRIES MUST THEREFORE LOOK TO EXPORTING RAW MATERIALS AT HIGHER PRICES. THUS THE PERUVIAN POSITION IN THE MTN WOULD BE VERY DIFFERENT FROM THAT OF THE US. MINISTER BARANDARIAN BELIEVED THAT THE TERMS OF TRADE HAVE MOVED STEADILY

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AGAINST THE DEVELOPING COUNTRIES AND AN MTN THAT RESULTED ONLY IN A REDUCTION OF TARIFFS WOULD LEAVE THE DEVELOPING COUNTRIES IN AN EVEN WORSE POSITION. THUS THE MTN SHOULD SEEK TO ACHIEVE OTHER IMPORTANT OBJECTIVES: (1) CONCESSIONS GRANTED BY DEVELOPED COUNTRIES WOULD NOT REQUIRE RECIPROCAL CONCESSIONS ON THE PART OF DEVELOPING COUNTRIES; (2) THERE SHOULD BE NO DISCRIMINATION AMONG THE DEVELOPING COUNTRIES; AND (3) TREATMENT OF THE DEVELOPING COUNTRIES SHOULD BE PREFERENTIAL RATHER THAN DISCRIMINATORY. THE MINISTER CONTINUED BY SAYING THAT NEGOTIATIONS SHOULD BE BROADENED AND SPECIFICALLY REFERRED TO: (1) GSP SHOULD APPLY EQUALLY TO ALL DEVELOPING COUNTRIES; (2) DEVELOPING COUNTRIES NEED TO SUBSIDIZE EXPORTS AND THUS

DEVELOPED COUNTRIES SHOULD ACCEPT SUCH SUBSIDIZATION IN THE SPIRIT OF THE "INFANT INDUSTRY" PHILOSOPHY; (3) SAFE-GUARD CLAUSES SHOULD BE IMPLEMENTED WITH DIFFERENT CRITERIA, WITH MUCH MORE CAUTIOUS APPLICATION AGAINST DEVELOPING COUNTRIES.

AMBASSADOR EBERLE RESPONDED BY SAYING THAT HE WAS PLEASED TO SEE A GOOD DEAL OF AGREEMENT IN PRINCIPLE. THE US CONSIDERS IT IMPORTANT TO NEGOTIATE NEW RULES ON SUBSIDIES IN THE MTN. THE US CONCURS ON NON-DISCRIMINATORY GSP AND THAT THE NTB ISSUES ARE HIGH ON OUR AGENDA. AMBASSADOR EBERLE RECOGNIZED THAT THE TRADE OF THE DEVELOPING COUNTRIES HAD DECLINED IN PERCENTAGE TERMS, BUT SO HAD THAT OF THE US. HE POINTED OUT THAT THE US IMPORTED 40 TO 50 PERCENT OF LDC EXPORTS OF MANUFACTURED GOODS. Nevertheless, A JOINT OBJECTIVE SHOULD BE TO SEEK TO EXPAND OPPORTUNITIES FOR LDC EXPORTS IN OTHER MARKETS. AMBASSADOR EBERLE THEN SUGGESTED THAT SPECIFIC PERUVIAN OBJECTIVES RELATING TO THE US GSP COULD BE ASSISTED IF PERU WOULD SUBMIT A LIST OF PRODUCTS IN PRIORITY ORDER FOR CONSIDERATION BY THE USG. ALSO, THE US WOULD FIND IT USEFUL TO HAVE SPECIFICS ON THE NTB'S WHICH THE PERUVIAN GOVERNMENT WANTS TO SEE REMOVED. MINISTER BARANDARIAN ASKED IF THE US WAS PREPARED TO SUPPORT THE AMPLIFICATION OF MTN DISCUSSIONS TO INCLUDE POINTS IN WHICH THE PERUVIAN GOVERNMENT WAS INTERESTED. AMBASSADOR EBERLE REPLIED THAT THE US WOULD BE PREPARED TO ACCEPT LESS THAN FULL RECIPROCITY BUT WOULD WANT, FOR EXAMPLE, LDC PARTICIPA-

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TION IN DEVELOPING RULES ON SUBSIDIES. FOREIGN MINISTER DE LA FLOR VALLE REFERRED TO THE MEETING OF FOREIGN MINISTERS IN WASHINGTON WHERE, HE SAID, SECRETARY KISSINGER HAD AGREED THAT TO THE EXTENT POSSIBLE THE US WOULD IMPOSE NO NEW RESTRICTIONS ON LATIN AMERICAN EXPORTS (POINT 5 OF THE WASHINGTON MFM COMMUNIQUE). AMBASSADOR EBERLE REPLIED THAT WHAT HE HAD SAID WAS CONSISTENT WITH POINT 5 AND POINTED OUT TO THE FOREIGN MINISTER THAT SECRETARY KISSINGER ALSO HAD NOTED THAT THE COMMITMENT WAS, OF COURSE, SUBJECT TO REQUIREMENTS IMPOSED BY US LEGISLATION.

THE DISCUSSION THEN FOCUSED ON THE TRADE REFORM ACT AND DEPUTY ASSISTANT SECRETARY RENNER DESCRIBED THE CONCEPT AND PROVISIONS OF THE GSP. IN RESPONSE, THE MINISTER OF COMMERCE STATED HIS BELIEF THAT THE TRA WAS VERY IMPORTANT. IT MARKED THE FIRST TIME THAT US LAW CONTEMPLATED GSP; IT WOULD ALSO SERVE TO FACILITATE LDC TRADE WITH THE US. SOME PROVISIONS, HOWEVER, COULD CAUSE PROBLEMS. REFERRING TO THE "INFANT" EXPORT INDUSTRY CONCEPT, HE NOTED THE IMPORTANCE OF SUBSIDIES AND ASKED HOW THEY MIGHT BE AFFECTED BY US COUNTERVAILING DUTY REQUIREMENTS. ALSO,

HE QUESTIONED WHETHER GSP WOULD AFFECT ENOUGH OF PERU'S EXPORTS TO CONSTITUTE A REAL BENEFIT.

IN RESPONSE TO THE FIRST POINT, MR. SUCHMAN OF THE DEPARTMENT OF THE TREASURY DESCRIBED THE METHOD BY WHICH COUNTERVAILING DUTIES ARE APPLIED. AS TO THE SECOND POINT, AMBASSADOR EBERLE SUGGESTED THAT PERU MIGHT WISH TO SUBMIT AN UPDATED GSP PRODUCT LIST AND WITHHOLD JUDGMENT AS TO THE BENEFITS OF THE GSP UNTIL SUCH TIME AS IT WAS FULLY IN OPERATION.

THE FOREIGN MINISTER NOTED THAT THE TRA WOULD PROVIDE THE EXECUTIVE BRANCH WITH ADDITIONAL FLEXIBILITY IN THE TRADE FIELD, BUT PROBLEMS STILL REMAIN. THEIR EXPERIENCE HAD SHOWN THAT ALTHOUGH THE EXECUTIVE BRANCH HAS HAD DISCRETION, IT HAS NOT CHOSEN TO USE IT. HE THEN ASKED IF THE TRA WAS ENACTED, WOULD US RETALIATORY LEGISLATION SUCH AS THE HICKENLOOPER AND GONZALEZ AMENDMENTS AND THE FISHERMEN'S PROTECTIVE ACT BE REPEALED THEREBY. AMBASSADOR UNCLASSIFIED

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EBERLE REPLIED THAT THE TRA DID NOT DEAL WITH THESE MATTERS.

DURING THE LUNCHEON THAT FOLLOWED THE FORMAL MEETING, FOUR ADDITIONAL SUBJECTS WERE DISCUSSED: (1) CLASSIFICATION OF TUNA AND BONITO. THE PERUVIANS EXPRESSED THEIR CONCERN THAT BONITO IS NOT PERMITTED BY THE US TO BE CLASSIFIED AS TUNA, BUT MUST BE LABELED AS BONITO. IT WAS AGREED THAT THE PERUVIAN EMBASSY IN WASHINGTON WOULD SUBMIT A MEMORANDUM ON THIS SUBJECT TO AMBASSADOR EBERLE. (2) EXPORT LICENSES. PERU REQUESTED THAT THE US AUTHORIZE LICENSES TO PERMIT PERUVIAN IMPORTS OF FOUR TO FIVE MILLION DOLLARS OF US COMPONENTS FOR SHRIMP BOATS WHICH PERU WISHES TO MANUFACTURE AND EXPORT TO CUBA. AFTER THE US DELEGATION EXPLAINED THE LICENSING PROCEDURES, THE PERUVIANS INDICATED THAT A NEW APPLICATION WOULD BE SUBMITTED AND THEY REQUESTED AMBASSADOR EBERLE'S ASSISTANCE. (3) THE CUAJONE PROJECT. FINANCING FOR THE CUAJONE PROJECT AND LONG-TERM COPPER SALES CONTRACTS WERE DISCUSSED. MINISTER MARCO DEL PONT EXPLAINED THE PERUVIAN POSITION VIS-A-VIS ONGOING NEGOTIATIONS WITH ASARCO AND ASSOCIATED FIRMS, STATING THAT THE SOLE REMAINING ISSUE CONCERNS THE COMPANY'S REFUSAL TO PLEDGE CUAJONE "EXCESS PRODUCTION" OF AROUND 40 THOUSAND SHORT TONS TO BE REFINED AT THE MINEROPERU ELECTROLYTIC REFINERY AT ILO. MARCO DEL PONT STATED THAT THE COMPANY HAD AT ONE STAGE OFFERED TO HAVE UP TO 25 PERCENT OF EXCESS PRODUCTION REFINED AT ILO, BUT LATER WITHDREW THE OFFER. HE INSISTED THAT THE NEXT MOVE IS UP TO ASARCO TO RESPOND TO THE LATEST PERUVIAN PROPOSAL. (4) TEXTILE AGREEMENT. PERUVIAN OFFICIALS RAISED THE QUESTION OF THE TEXTILE

AGREEMENT, POINTINGOUT THAT A 5-MILLION SQUARE YARD
CEILING WAS TOO LOW. DEPUTY ASSISTANT SECRETARY FOX SAID
HE WOULD DISCUSS THE MATTER WITH APPROPRIATE OFFICIALS OF
THE DEPARTMENT OF COMMERCE AND WOULD ADVISE THE MINISTRY

THROUGH THE EMBASSY IF CONSULTATIONS SEEMED IN ORDER.
END QUOTE. KISSINGER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 27 JUL 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AMBASSADORS, FOREIGN POLICY POSITION, LESS DEVELOPED COUNTRIES, LIBERALIZATION, TRADE VISITS MEETING REPORTS, NEGOTIATIONS, TARIFF
Control Number: n/a
Copy: SINGLE
Draft Date: 12 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE151092
Document Source: ADS
Document Unique ID: 00
Drafter: ARA/ECP:MDAVILA:MB
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D740188-0190
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740789/abryzqu.tel
Line Count: 226
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 30 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 AUG 2002 by ThomasVJ>; APPROVED <16 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 971031
Subject: MEMORANDUM OF AMBASSADOR EBERLE'S TRADE CONSULTA- TIONS IN PERU
TAGS: ETRD, PFOR, PE, US, PFOR, (EBERLE, WILLIAM D)
To: LIMA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005